FILED
APR 28 1999
OFFICE OF THE CLERK

No. 98-1316

IN THE
Supreme Court of the United States
OCTOBER TERM, 1998

ENERCON GMBH,
Petitioner,

v.

UNITED STATES INTERNATIONAL TRADE COMMISSION,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF FOR PETITIONER

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REVIEW OF THE DECISION BELOW IS PROPER AND DESIRABLE

Review of the decision below relative to issues of ITC jurisdiction can be in no sense precluded or otherwise affected by precedent commenting upon intracircuit conflicts within a single court of appeals having general federal appellate jurisdiction over a defined geographic area. The Federal Circuit is unique in having statutorily defined, limited subject matter jurisdiction which extends throughout the United States—hence, an unresolved conflict of law within that court cannot be resolved without some participation by this Court.

Petitioner believes that review by this Court of the issues presented would be economical and efficient, in

addition to which the result would be authoritative beyond peradventure of quibble by the ITC or anyone else. If, however, the Court believes the Federal Circuit should resolve the matter in the first instance, it need only grant *certiorari* and enter an immediate order remanding the issues raised to the Federal Circuit with a direction for rehearing *en banc*.

Either way, review is of critical importance to proper administration of the international trade laws of the United States. Indeed, the result reached below borders on the surreal.

For *at least* the last millennium, it has been understood by lawyers and non-lawyers alike that the hallmarks of a sale of goods are the transfer of ownership (which may also be expressed in other terms, such as title to or right of control over them) from the seller to a buyer and the furnishing of consideration from that buyer back to the seller. The Federal Circuit decision in *NSK Ltd. v. United States*, 115 F.3d 965 (Fed. Cir. 1997) properly holds that the legal test of whether a sale of goods has occurred involves an inquiry as to whether there has been both a transfer of ownership and consideration. In direct conflict, the decision below holds that if a prospective foreign seller of goods and a prospective U.S. buyer have made an oral contract for a future sale, no matter how amorphous the terms may be, that is a "sale for importation" under 19 U.S.C. § 1337(a)(1)(B). Clearly, this latter formulation contemplates that an *actual sale*, as defined in *NSK*, may never materialize.

What is at stake here is a blatant attempt by the Respondent to rewrite 19 U.S.C. § 1337(a)(1)(B) (and presumably subsections (C) and (D) as well), so as to greatly enlarge the ITC's jurisdiction to encompass *any* goods of foreign origin that *might* infringe a United States

intellectual property right *if* used, sold or offered for sale within the United States or *if* actually imported,[1] so long as the goods have been the subject of negotiation for a *possible* sale between their foreign owner and a U.S. based *prospective* importer. The Respondent ITC here *admits* that it wants the words "sale for importation" in 19 U.S.C. § 1337(a)(1)(B) (and presumably in subsections (C) and (D) also) construed as if they referred to goods "*on sale* for importation" (ITC Opp. Br. 7-8, n.1) —exactly what the Respondents in this case induced the Federal Circuit to hold.[2]

It is simply untrue that Petitioner ever argued, in the ITC or the court below, that the statutory term "sale for importation" required physical delivery of accused goods to a U.S. based buyer. The "physical delivery" non-issue was introduced in the court below by the agency's brief, was rebutted in Petitioner's reply brief under the subheading " 'Physical Delivery'—a Red Herring" and was again clearly disavowed by Petitioner's counsel at the oral argument in response to the first question from the bench,[3] as follows:

> JUDGE GAJARSA: Counsel, I just have one question on the sale issue. I don't find any requirement for delivery in the statute.
>
> MS. SEARS: And I did not ever say that there was a requirement for delivery. I said that what we

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[1] See, for example, 35 U.S.C. § 271(a) which so defines infringement of a U.S. patent.

[2] 19 U.S.C. § 1337(a) is reproduced in its entirety at Pet. 77a-78a.

[3] The totality of the pertinent subsection of Petitioner's Reply Brief before the Federal Circuit is reproduced *infra*, p. 1a hereof. Ten copies of the transcript of the oral argument in that court have been lodged with the Clerk of this Court concurrently with the filing of this paper.

> had to have was a transfer of ownership, control over the goods, Your Honor. Delivery can come later. In fact delivery into the United States by the very terms of the statute has not been made. (Transcript, p. 3)

Notwithstanding this exchange, the opinion below repeatedly refers to lack of necessity for "delivery" as a ground of decision in an apparent effort to camouflage that the dealings between Petitioner Enercon and The New World Power Corporation ("NWP"), as detailed in the 61 *unchallenged* fact findings (Pet. 62a to 71a) of the ITC's administrative law judge ("ALJ"), did not include either a transfer of ownership of accused wind turbines to NWP or the payment of consideration to Petitioner.[4]

Respondent Zond's suggestion that the decision below is not inconsistent with *NSK* because the term "sale" may, as a matter of law, be differently interpreted in different factual settings (Zond Opp. Br. 7 *et seq.*) is both illogical and inconsistent with the legal process. *Facts* do not define legal terms and concepts—and while different factual settings may evoke different applications of a given legal concept, that is not what happened below in respect of "sale" as defined by the *NSK* opinion and "sale" as oppositely defined in this case.

Finally, there is no legislative history of 19 U.S.C. § 1337 that compels or even supports the interpretation of "sale for importation" in this case. The ITC's ALJ in his opinion correctly acknowledged that "no party has cited a case in which the Commission recognized its authority to take action against a respondent for the incipient or imminent importation of goods when there has

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[4] Indeed, the findings explicitly acknowledge that the consideration was never agreed upon.

been no sale for importation." (Pet. 61a). The Petition quotes (at page 12) from the ITC's own 1981 *en banc* opinion in *In re Certain Steel Rod Treating Apparatus*, to the effect that the ITC's *in rem* jurisdiction to issue exclusion orders then existed over imported goods (which were *present* in the United States) and goods "constructively present by virtue of . . . sale and imminent importation". In amending 19 U.S.C. § 1337 in 1988, Congress specifically commented on § 1337(a) as then amended (Full text at Pet. 77a-78a), as follows:

> In changing the wording with respect to importation or sale, *the conferees do not intend to change the interpretation or implementation of current law as it applies to the importation or sale of articles that infringe certain U.S. intellectual property rights.* (House Conference Report No. 100-576, 100th Cong., 2d Sess. (1988) reprinted in 1988 U.S. Code Cong. and Adm. News at 1666) (Emphasis added).

In context, Congress's "purpose" of amending § 1337 to make it a more effective remedy for protecting U.S. intellectual property rights, emphasized by the court below (Pet. 11a) and by the Respondents (ITC Opp. Br. 7; Zond Opp. Br. 14, n.4) was *unrelated* to the separation of intellectual property infringements from general "unfair acts" made by breaking the corresponding portion of the predecessor statute into subsections (A), (B), (C) and (D) of present § 1337(a)(1) and was fulfilled by two quite different changes in the statute—*i.e.*,

(1) removal of a prior requirement that an intellectual property owner must show itself to be a U.S. industry that was efficiently and economically operated to have standing as an ITC complainant, and

(2) removal of a prior requirement that was retained in § 1337(a)(1)(A) for acts of unfair competi-

tion *other than* intellectual property infringements, that in order to be "unlawful" and trigger an ITC exclusion order, they must be demonstrated to threaten or actually tend "to destroy or substantially injure an industry in the United States" (see § 1337(a)(1)(A)(i), Pet. 77a).

CONCLUSION

The decision below, if left unreviewed, will allow the ITC to exercise virtually unfettered jurisdiction to exclude from the United States articles of foreign origin charged with prospectively infringing a U.S. intellectual property right but never imported here, the ownership in which has never been conveyed to a U.S. based party for importation, in direct derogation of the literal wording of 19 U.S.C. § 1337(a)(1)(B), (C) and (D). Since the ITC's rulings, *at least* on patent infringement and validity, are inconclusive because not binding on United States federal district courts (Pet. 14)—which courts, however, lack jurisdiction to address merely hypothetical infringements—many foreign-made articles are likely to be unfairly stigmatized by such uncabinned exercise of the expanded ITC jurisdiction conferred by the decision below. The time is accordingly ripe for review *now* of the issues presented in the Petition.

Respectfully submitted,

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